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Quality costs in historical hospitality services. Case study of the Sycamore Manor Hotel

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Abstract

Research background: The hospitality industry is one of the most important elements of modern tourism. Among the many types of hotels, historical hotels are worth special attention. Such facilities are among the most sublime types of hotels. The research is motivated by the uniqueness and specificity of historical hotels on the tourist market, including in particular aspects of ensuring an appropriate level of quality.

Purpose of the article: The aim of the article is to evaluate the level of knowledge about the quality costs and their calculation in historical hotel services. In order to properly achieve the objectives of the research, the case study of one of the oldest historical hotels in Poland, the Sycamore Manor Hotel, was used.

Methods: The main research method is the case study. The research used the procedure of research techniques triangulation: the analysis of documentation content, observation and interview. The research object was the Sycamore Manor Hotel.

Findings & Value added: Quality costs and their calculation are not used in historical hospitality services. The low level of employees' knowledge of quality costs, which requires further education and appropriate training, may result from the optional use of the management accounting tool, i.e. quality costing. The employees of the Sycamore Manor Hotel are aware of the implemented processes and their importance in the context of the quality of the provided services, but the lack

of involvement of the organisation in the quality costs deprives it of the possibility to gain a competitive advantage on the demanding market of hotel services.

Introduction

The modern world hospitality industry is constantly undergoing changes. After a period of fascination with modernist, large, often chain hotels, a fashion for objects of specific character, including historical hotels, has appeared. Tourists craving for novelty, expecting a specific experience from their stay, as well as fascinated by the architecture, history and the possibility of exploring the visited hotel, often draw their interest towards historical hotels.

The historical hospitality industry, in comparison to other types of hotels, is characterised by a close correspondence of the historical character of the facility to its offer. This is expressed by arranging rooms, corridors or premises using historical furniture, antiques, bibelots or paintings. The accommodation offer includes the possibility of organising special events, conferences or meetings in a historical style (tournaments, feasts). Historical hotels often have a gastronomic offer referring to historical traditions of a given region. Historical hotels become patrons of culture by organising concerts, meetings with authors or other artistic events in their interiors. There is also a variety of Spa and sport activities on offer. Moreover, such hotels often offer sightseeing tours in order to explore the historical sights of the area.

The costs of providing the highest possible quality of services are inseparably connected with the service activity (including the hotel activity). Among the quality costs of service organisations there are quality costs ensuring an appropriate level of service quality and also those which arise when the level of service is not satisfactory. The aim of this article is to identify the level of awareness of the existence of quality costs among managers in historical hotel services. To achieve this objective, a survey was conducted in a selected historical hotel.

The article is organised as follows. Section 2 provides a literature review on quality costs. Section 3 describes the research methodology. Section 4 presents and discusses the research results. Section 5 contains the conclusions developed on the basis of the results. The last section contains an appendix with table.

Literature review

Since the 1950s, the quality costs have been the subject of interest of numerous researchers from all over the world. The first to define this concept was Juran (1951), indicating that they are an instrument for measuring quality. Feigenbaum (1961) detailed their correlation with pro-quality measures, Groocock (1974) stressed that they are also the costs incurred for defective production, and Crosby (1979) pointed out that the quality costs practically nothing, but its absence is costly.

Quality costs should also be considered as an important element of companies' quality programmes (see Sturm *et al.*, 2019). Biadacz (2020) emphasises that they should be a tool to rationally influence and manage the quality process.

A characteristic feature of quality costs is their non-obviousness, invisibility, because they 'hide' in the processes implemented by enterprises, which causes a problem in their proper measurement, (see Snieska *et al.*, 2013). Only a small percentage of them are those measured and disclosed by companies in financial documents, which are actually the tip of the iceberg of the quality costs actually incurred.

The instrument used to measure quality-related costs is quality costing, considered to be the most important element of a company's quality management system. Most models of this costing have been developed for manufacturing enterprises (see Malik *et al.*, 2016; Pristavka&Koloman, 2018). Few models of this calculation have emerged in services, which have been implemented in healthcare providers, and water and sanitation services, Sadkowski (2020).

The literature review in the area of quality costs and related quality costing enables to claim that there is a cognitive gap related to the identification and typology of quality costs in enterprises providing hotel services.

Research methodology

The case study method was used in the research part of the article. With this research method it was possible to use the interview as a tool to achieve the objectives, which were as follows: to check the level of knowledge of historical hotel managers and their involvement in quality costing, their knowledge of quality costing issues, as well as their willingness to implement this instrument. The triangulation procedure of research techniques, i.e. content analysis of documentation, observation and interview, played an important role in this research.

- The research was carried out in January 2021 in the enterprise Sycamore Manor Hotel. The respondent answering the questions was the proxy of this entity. The interview was divided into three Parts of questions, which were organised as follows:
- Part I - General questions about the activities of the enterprise
- Part II - Quality costs
- Part III - Quality costing.

The questions from all thematic parts are summarised in Table 1.

The interview part was complemented by the observation of the processes implemented by the hotel. This allowed the authors to obtain a complete overview of all activities performed in the enterprise.

The following items were used in the content analysis of the documentation of the surveyed entity: annual financial statements, full copy from the Register of Entrepreneurs of the National Court Register and the entity's website.

Results

The interview for the research was conducted with the proxy of the Sycamore Manor Hotel in January 2021. The analysis of the responses to the questions for the three interview topic parts is presented below and can be found in Table 1.

The first two questions from Part I (questions 1 and 2) concerned the method of preparation of the company chart of accounts and the cost records. The respondent indicated that the chart of accounts was developed internally by the relevant units in the organisation and the cost records are kept in a mixed system, i.e. in parallel in both cost systems, i.e. by category and by function. Questions 3 and 4 attempted to elicit the information on the main objective and short term objective of the surveyed enterprise. The respondent stated that providing top quality services to customers and ensuring their satisfaction is the main objective of the enterprise. In turn, the short term objective is to increase sales revenue. Question 5 attempted to establish whether each employee of the organisation has the sufficient knowledge about the processes they are responsible for. It revealed that all staff members have the knowledge of the processes they are in charge of (these are mainly: periodic training of staff by external companies, exchange of staff between hotels - members of the Historic Hotels Association), but it is required to increase this knowledge, as well as to provide appropriate training. Questions 6 and 7 addressed the issue of quality training and its frequency. The respondent confirmed that such trainings take

place in the organisation at least once a year and are aimed at gaining new experience and becoming familiar with the specifics of work. The facility also holds quality talks and regular staff briefings at least once a week, which reveal the most important quality issues.

In the first two questions of Part II (questions 8 and 9) the respondent had to assess whether the company identifies the problem of quality costs and takes measures to improve quality. The respondent stated that the quality cost problem is identified and the company takes measures to improve the quality of the hospitality services provided. Questions 10 and 11 dealt with the issue of keeping records of quality costs and the continuity of their recording. The respondent indicated that records of these costs are not kept and the company does not have separate accounts for recording them. Questions 12 and 13 attempted to obtain the information on the involvement of the Accounting Department in the recording of quality costs and its readiness to implement changes including their recording. The respondent stated that the Accounting Department does not record these costs and is very resistant to changes that would modify the accounting system for the recording of these costs. Questions 14 and 15 were to determine the centre responsible for the identification of quality costs as well as the possibilities of obtaining the information about the size of these costs. In the opinion of the respondent, the quality team should be responsible for the identification of quality costs. Obtaining the information on the actual amount of quality costs incurred at the Sycamore Manor Hotel will not be possible, however, the respondent indicated that in their opinion, quality costs constitute approximately 5% of all costs incurred at the facility. The level of total costs as well as quality costs in 2020 was undoubtedly affected by the COVID-19 pandemic caused by the SARS-CoV-2 coronavirus. The new customer service guidelines resulted in an increased level of costs in the hotel and involved the need to purchase disinfectants, masks, visors, and fluid dispensers, etc. Questions 16 and 17 attempted to determine the sources of the information on the quality costs of the organisation, and whether the managers had sufficient knowledge of the quality costs generated in their processes. The respondent identified complaint and claims records and error reports as the main sources of information about these costs, and also indicated that they did not know whether management had sufficient knowledge of the quality costs generated in all the processes performed.

The first two questions of Part III (questions 18 and 19) concerned the issue of quality costing and its procedure in the studied organisation. The answers allowed to establish that the Sycamore Manor Hotel did not implement a quality costing and does not have a detailed procedure for it. Question 20 attempted to elicit information on whether the organisation has

a quality cost classification system. The respondent stated that such a system does not exist because there is no need to introduce it. Question 21, in turn, was to give an answer about the objectives of quality costing. The respondent indicated that these were an increase in the quality of service and an improvement in the efficiency of the company's management systems. Questions 22 and 23 attempted to establish the impact of quality cost analysis on improving the efficiency of management systems and the existence of a correlation between increasing expenditure on the prevention of poor quality and a decrease in the cost of errors. The representative indicated that not every cost analysis improves the efficiency of management systems. In addition, the person considered that increased investment in prevention and evaluation would result in a reduction in the level of error costs. Questions 24, 25 and 26 were to identify the issue of the optimisation of quality costs through service quality process management, and whether the organisation surveyed prepares a quality cost matrix and budget, and reports/ statements on quality costs. The respondent recognises the impact of process management on the optimisation of quality costs, but indicates that his or her department does not prepare a matrix and budget for quality costs or reports/ statements on these costs. In question 27, the respondent was asked to indicate the person who should be responsible for the quality cost reports/statements, but was unable to answer this question. The last two questions of Part III (questions 28 and 29) were to obtain the information on whether the enterprise has a comprehensive quality management system and to learn the opinion on the impact of quality costing on the effectiveness of management systems. The respondent indicated that the organisation does not have such a system. This person also stated that they did not know whether quality costing had an impact on the effectiveness of management systems.

The interview allowed to achieve the objectives. The level of knowledge and involvement of the Sycamore Manor Hotel in quality costing was identified. The employees do not have adequate knowledge of quality costing, it is not implemented and there is no procedures for its implementation. The author assesses the knowledge of quality costing issues as insufficient and of the implemented processes as sufficient, which was confirmed by the answers provided in the interview. The entity does not keep records of quality costs or their analysis, nor does it show any openness and readiness for new solutions in the field of quality cost management. In the author's opinion, the enterprise has considerable deficiencies in the perception of quality costs and their accounting.

Conclusions

The aim of the article was to evaluate the level of knowledge about quality costs and their accounting in historical hospitality services. The Sycamore Manor Hotel as a representative of historical hotels was selected to participate in this study. However, no generalisation to the whole group of historical hotels is justified, due to the small sample size (only a small percentage of all the organisations providing this type of service).

The researched demonstrated a low level of the knowledge about the quality costs and their calculation, which may result from the fact that conducting quality costing is voluntary and there are no legal standards which oblige enterprises to implement it.

The additional costs connected with its implementation and maintenance do not encourage to use it in their units. It is highly unreasonable, because the potential benefits of having a quality costing, such as increasing the quality of provided services or increasing the efficiency of processes, outweigh the implementation costs.

This study is an introduction to a more in-depth research on a larger group of historical hotels operating in Poland, which will allow to gain a more complete insight into the perception of quality costs and their calculation by this group of hospitality service providers. The authors also recommend future research to attempt to estimate the cost of quality in selected historical hotels which will agree to fully cooperate and disclose sensitive financial and process data.

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Annex

Table 1. Summary of interview questions

Nr	Question
Part I – General questions on the company's activities	
1	How is the company chart of accounts developed in your company?
2	What is the cost classification?
3	What is the main aim of your enterprise?
4	What is the short term goal of your enterprise?
5	Does each employee have sufficient knowledge of the processes for which he/she is responsible?
6	Is there any quality training in your company?
7	How often does quality training take place?
Part II – Quality costs	
8	Is the problem of quality costs identified in your company?
9	Are quality improvement measures being taken in your company?
10	Are quality costs recorded in the accounting system in your enterprise?
11	Are quality costs recorded continuously using a uniform method?
12	Is the Accounting Department of your company involved in the recording of quality costs?
13	What is the readiness of the Accounting Department to implement changes including quality costing in your company's accounting systems?
14	Who should be responsible for identifying quality costs?
15	Is it possible to obtain information on the amount of quality costs in your company?
16	What are the sources of information on quality costs in your company?
17	Do managers have sufficient knowledge of the quality costs generated by all processes in your company?
Part III – Quality costing	
18	Is quality costing kept in your company?
19	Is there a detailed procedure for conducting quality costing in your company?
20	Does your company have a quality cost classification system?
21	What do you think are the objectives of quality costing?
22	Does quality cost analysis improve the effectiveness of management systems?
23	Does the increasing investment in preventing poor service quality contribute to a fall in the cost of errors?
24	Does service quality process management optimise quality costs?
25	Does your company prepare a quality cost matrix and a quality cost budget?
26	Are quality cost reports/statements prepared in your company?
27	Who is responsible in your company for reports/statements on quality costs?
28	Does your company have a comprehensive quality management system?
29	Does quality costing affect the effectiveness of management systems ?